

MCKESSON

Empowering Healthcare

**Bank of America
Securities
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John Hammergren

**Chairman and
Chief Executive Officer**

Safe Harbor Clause

Some of the information in this presentation may constitute forward-looking statements that are subject to various uncertainties. These uncertainties could cause actual results to differ materially from those projected or implied. The risk factors associated with those uncertainties are described in the Company's reports and exhibits filed with the Securities and Exchange Commission.

McKesson's Comprehensive Offering of Products and Services

The McKesson logo is centered within a stylized, blue and white graphic that resembles a wing or a banner. The word "MCKESSON" is written in a bold, blue, sans-serif font. The letter 'K' is unique, with a small orange square positioned above its left vertical stroke.

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McKesson Pharmaceutical

- #1 in North America
- Large Rx repackaging
- Leading generics provider
- #1 in retail pharmacy automation
- Patient services and specialty distribution services for manufacturers
- #1 in medical management software and services for payors
- Disease management

McKesson Medical-Surgical

- #1 in primary care and extended care
- Total supply solution in acute care
- Rapid growth in physician office pharmaceuticals and equipment

McKesson Provider Technologies

- 63% of health systems
- 51% of hospitals with 200+ beds
- Comprehensive product and service offering
- More "Best in KLAS" products than any other vendor
- #1 in robotic hospital pharmacy dispensing
- #1 in bedside scanning

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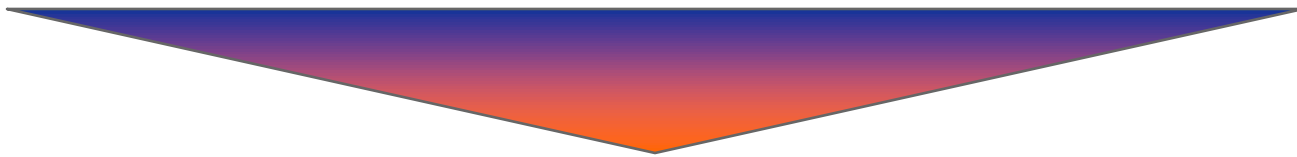
McKesson's Vision of Healthcare

Major Trends Driving Growth

- **Demographics drive drug consumption**
 - McKesson handles 30% of nation's drug needs
- **Focus on healthcare quality**
 - McKesson solutions deliver best practice information at point of care
- **Focus on patient safety**
 - McKesson solutions provide supply chain integrity and reduce medication errors – bar-code mandate for hospitals
- **Focus on managing chronic diseases**
 - Provide health management solutions across spectrum
- **Pressure on payors to control healthcare costs**
 - Work with top 25 health plans, 90% of BC/BS, and government plans to manage costs, improve quality, increase efficiency

McKesson Strategy

**Build strong, lasting, value-driven relationships
with customers and suppliers**



- **Create long-term relationships based on custom solutions that deliver ROI and quality**
- **Sell McKesson's comprehensive solutions**
- **Innovate with offerings that address emerging healthcare challenges**

McKesson Solutions Improve Quality and Reduce Cost

Pharmaceutical and medical-surgical distribution to all sites

Clinical, financial and resource management systems for hospital and IDNs

Automation for retail and hospital pharmacies

Pharmaceutical repackaging

Pharmacy outsourcing

Solution for Medication Safety



Together Rx card & Rx Access card

Specialty pharmaceutical distribution

Services for payors, patients and manufacturers

Opportunity to Create Unique Solutions

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FY04 Financial Results

(\$ in millions, except EPS)

	4th Quarter			Full Year		
	FY03	FY04		FY03	FY04	
Revenues						
Pharmaceutical Solutions*	\$ 13,889	\$ 16,974	22%	\$ 53,238	\$ 65,621	23%
Medical-Surgical	683	644	-6%	2,744	2,707	-1%
Information Solutions	314	322	2%	1,139	1,178	3%
Total	\$ 14,886	\$ 17,940	21%	\$ 57,121	\$ 69,506	22%
Operating Profit						
Pharmaceutical Solutions	\$ 301	\$ 269	-11%	\$ 988	\$ 933	-6%
Medical-Surgical	17	26	54%	65	92	40%
Information Solutions	36	106	197%	95	190	102%
Total	\$ 354	\$ 401	13%	\$ 1,148	\$ 1,215	6%
Operating Margin %						
Pharmaceutical Solutions*	2.17%	1.58%	(59) bp	1.86%	1.42%	(44) bp
Medical-Surgical	2.47%	4.04%	157 bp	2.38%	3.38%	100 bp
Information Solutions	11.44%	33.13%	5 bp	8.29%	16.16%	787 bp
Net Income	\$ 179	\$ 214	20%	\$ 555	\$ 647	16%
EPS	\$ 0.61	\$ 0.73	20%	\$ 1.88	\$ 2.19	16%

* Includes Warehouse Sales

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FY04 Financial Results - Recast

(\$ in millions, except EPS)

	4th Quarter			Full Year		
	FY03	FY04		FY03	FY04	
Revenues						
Pharmaceutical Solutions*	\$ 13,830	\$ 16,943	23%	\$ 53,059	\$ 65,493	23%
Medical-Surgical	708	670	-5%	2,843	2,811	-1%
Provider Technologies	348	327	-6%	1,219	1,202	-1%
Total	\$ 14,886	\$ 17,940	21%	\$ 57,121	\$ 69,506	22%
Operating Profit						
Pharmaceutical Solutions	\$ 292	\$ 288	-1%	\$ 967	\$ 980	1%
Medical-Surgical	20	29	45%	79	107	35%
Provider Technologies	42	84	100%	102	128	25%
Total	\$ 354	\$ 401	13%	\$ 1,148	\$ 1,215	6%
Operating Margin %						
Pharmaceutical Solutions*	2.11%	1.70%	(41) bp	1.82%	1.50%	(32) bp
Medical-Surgical	2.78%	4.39%	161 bp	2.79%	3.79%	100 bp
Provider Technologies	11.91%	25.63%	1372 bp	8.33%	10.66%	233 bp
Net Income	\$ 179	\$ 214	20%	\$ 555	\$ 647	16%
EPS	\$ 0.61	\$ 0.73	20%	\$ 1.88	\$ 2.19	16%

* Includes Warehouse Sales

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Fiscal 2004 Financial Highlights

- Cash flow from operations of \$563 million
- Reduced DSI by three days
- Net debt to net capital ratio 13%
- ROCC 23.4%
- ROE 13.4%
- Share repurchases for year of \$157 million

Pharmaceutical Solutions Summary

- **Strong pharmaceutical distribution revenue growth in both U.S. and Canada**
- **Making progress to improve economics with manufacturers, sound strategies to stabilize pricing to customers**
- **VA implementation began May 10**
- **Rx Savings Access card launch underway**
- **Disease management programs for 7 states**

Medical-Surgical Solutions Summary

- **Operating plan continues to deliver results**
- **Strong growth in alternate sites**
- **Expanded pharmaceuticals/vaccine program drives 13% growth in physician offices**
- **Acquisition of Moore Medical April 1**

Provider Technologies Summary

- Revenue growth modest – software revenues impacted by complex clinical installations and slower demand for non-clinical software
- Customer satisfaction and product innovation continue to increase
- Reorganization should enhance product integration and selling effectiveness under One McKesson strategy

Fiscal 2005 Outlook and Long-term Goals

- **FY05 expectation: \$2.20 to \$2.35 per share, first half down modestly, stronger growth in second half**
- **Grow revenues at or above 10% per year, achieve EPS growth in the mid-teens once the changes in business are completed**



Create Value for Suppliers, Customers and Shareholders

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